



INVESTMENT TRENDS MONITOR

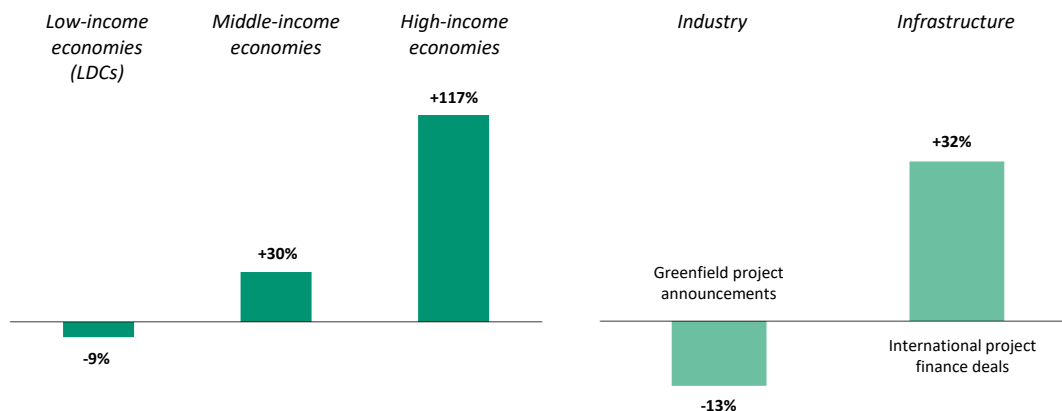


Global FDI rebounds in first half of 2021, but recovery highly uneven Outlook for infrastructure investment strong due to stimulus; investment in industry still weak

H I G H L I G H T S

- Global foreign direct investment (FDI) flows in the first half of 2021 reached an estimated \$852 billion¹, showing stronger than expected rebound momentum. The increase in the first two quarters recovered more than 70% of the Covid-19 pandemic induced loss in 2020.
- Developed economies saw the biggest rise, with FDI reaching an estimated \$424 billion in 2021 H1 – more than three times the exceptionally low level in 2020. In Europe, although the bulk of growth was due to reversals in countries with significant conduit movements, several large economies saw sizeable increases, on average remaining only 5% below pre-pandemic quarterly levels. Inflows in the United States were up by 90%, driven entirely by a surge in cross-border mergers and acquisitions (M&As).
- FDI flows in developing economies also increased significantly, totaling \$427 billion in 2021 H1, with a growth acceleration in East and South-East Asia (+25%), a recovery to near pre-pandemic levels in Central and South America, and upticks in several other economies across Africa and West and Central Asia.
- Of the total 'recovery increase' in global FDI flows in the first half of 2021 of \$373 billion, 75% was recorded in developed economies. High-income countries more than doubled quarterly FDI inflows from rock bottom 2020 levels, middle-income economies saw a 30% increase, and low-income economies a further 9% decline (figure 1).

Figure 1. Uneven rebound/recovery growth
(Quarterly growth rates 2021 H1 vs 2020 for FDI, first three quarters for projects)



Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) for FDI, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

¹ FDI trends in this Monitor are based on quarterly data derived from the (extended) directional principle. For a few countries data following the asset/liability principle was used for estimation. All growth rates are calculated over 2020 monthly averages, unless otherwise specified.

- Growing investor confidence is most apparent in infrastructure, boosted by favourable long-term financing conditions, recovery stimulus packages, and overseas investment programmes. *International project finance deals* were up 32% in number (74% in value terms), with sizeable increases in most high-income regions and in Asia and South America.
 - In contrast, investor confidence in industry and global value chains remains shaky. *Greenfield investment project announcements* continued their downward path (-13% in number, -11% in value during the first three quarters). The number of new projects in GVC-intensive industries (e.g. electronics, automotive, chemicals) fell further.
 - *The recovery of investment flows to SDG-relevant sectors in developing countries, which suffered significantly during the pandemic with double-digit declines across almost all sectors, remains fragile.* The combined value of announced greenfield investments and project finance deals rose by 60%, but mostly because of a small number of very large deals in the power sector (the total number of SDG-relevant investment projects in developing economies still fell by 6%). International project finance in renewable energy and utilities continues to be the strongest growth sector.
 - *However, the number of SDG-relevant investment projects in the least developed countries (LDCs) continues to decline precipitously.* New greenfield project announcements fell by 51%, and infrastructure project finance deals by 47%. This after declines of 28% in both types in 2020. Total project values were up, inflated by single large renewable project.
 - *The global FDI outlook for the full year is improved from earlier projections.* The underlying trend – net of conduit flows, one-off transactions and intra-firm financial flows – will be more muted than the 2021 H1 rebound growth rates. However, the current momentum and the growth of international project finance are likely to bring FDI flows back beyond pre-pandemic levels. The duration of the health crisis and the pace of vaccinations, especially in developing countries, as well as the speed of implementation of infrastructure investment stimulus, remain important factors of uncertainty. Other important risk factors, including labour and supply chain bottlenecks, energy prices and inflationary pressures will also affect final year results.
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Table 1. FDI inflows and cross-border M&As, 2019–2020, and available partial data for 2021
(Billions of dollars)

Region / economy	FDI				Net cross-border M&A sales			
	2019	2020	2021:H1	Partial-year growth rate (%)	2019	2020	2021:Q1-Q3	Partial-year growth rate (%)
World	1 481	957	852	78	507	475	463	30
Africa	46	39	23	16	6	3	- 3	..
Northern Africa	14	10	5	0	1	0	- 1	..
Sub-Saharan Africa	32	29	18	22	5	3	- 1	..
Americas	430	261	244	88	210	118	214	142
Latin America and the Caribbean	157	85	76	79	24	8	6	-1
Northern America	273	175	168	92	187	110	208	152
Asia	560	576	362	26	66	82	55	-11
Central Asia	8	6	4	13	0	0	0	1667
Eastern Asia	257	302	183	21	20	28	- 5	..
South-Eastern Asia	181	136	97	43	10	- 5	13	..
Southern Asia	59	71	29	-19	15	28	11	-49
Western Asia	55	61	50	63	22	31	35	51
Oceania	45	25	9	-27	25	12	13	48
Europe	401	56	213	666	200	260	184	-5
EU	378	70	140	303	167	226	168	-1
Other Europe	23	- 14	73	..	33	33	17	-32
<i>Memorandum</i>			
Developed economies	749	290	424	193	425	390	407	39
Developing economies	732	667	427	28	83	84	56	-11
Low income	23	24	11	-9	0	0	- 1	..
Middle income	506	395	257	30	59	68	15	-71
High income	952	538	584	117	448	407	450	48

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics) for FDI and cross-border M&A database (www.unctad.org/fdistatistics) for M&As.

Table 2. Announced greenfield projects and international project finance deals, 2019–2020, and partial year data for 2021 (Number)

Region / economy	Announced greenfield projects				International project finance deals			
	2019	2020	2021:Q1-Q3*	Partial-year growth rate (%)	2019	2020	2021:Q1-Q3	Partial-year growth rate (%)
World	18 261	13 165	7 666	-13	1 213	1 123	1 115	32
Africa	1 063	562	291	-22	131	73	56	2
Northern Africa	310	133	84	-5	13	6	8	78
Sub-Saharan Africa	753	429	207	-28	118	67	48	-4
Americas	4 244	3 005	1 969	-2	370	325	345	42
Latin America and the Caribbean	1 832	1 044	694	0	146	142	167	57
Northern America	2 412	1 961	1 275	-2	224	183	178	30
Asia	4 825	2 971	1 784	-10	239	237	236	33
Central Asia	121	42	27	-4	19	12	16	78
Eastern Asia	1 481	881	553	-6	42	51	53	39
South-Eastern Asia	1 316	753	472	-6	93	111	78	-6
Southern Asia	786	451	218	-27	32	38	56	96
Western Asia	1 121	844	514	-9	53	25	33	76
Oceania	522	387	255	-1	65	74	84	51
Europe	7 607	6 240	3 367	-19	408	414	394	27
EU	6 913	5 740	3 050	-20	292	327	290	18
Other Europe	694	500	317	-5	116	87	104	59
<i>Memorandum</i>								
Developed economies	10 857	8 855	5 040	-15	625	653	670	37
Developing economies	7 404	4 310	2 626	-9	588	470	445	26
Low income	368	185	73	-41	110	69	35	-32
Middle income	6 210	3 382	2 001	-11	672	712	734	37
High income	11 683	9 598	5 592	-13	431	342	346	35

Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

*Greenfield projects refer to the first eight months of 2021.

Table 3. Announced greenfield projects, by sector and selected industries, quarterly average, 2019–2020, and partial year data for 2021 (Billions of dollars and per cent)

Sector/industry	Value (Billions)			Growth rate (%)	Number			Growth rate (%)
	2019	2020	2021		2019	2020	2021	
Total	211	142	125	-11	4 565	3 291	2 875	-13
Primary	5	3	2	-41	38	25	20	-21
Manufacturing	101	60	54	-9	2 045	1 307	1 103	-16
Services	106	79	70	-12	2 483	1 960	1 752	-11
<i>Top 10 industries in value terms</i>								
Information and communication	17	21	19	-10	833	737	739	0
Electricity and gas supply	28	25	18	-28	140	132	87	-34
Electronics and electrical equipment	13	11	17	44	300	220	197	-10
Construction	17	9	12	33	109	80	70	-13
Automotive	16	8	8	0	256	142	141	-1
Transportation and storage	11	7	6	-3	191	159	136	-14
Chemicals	12	10	6	-45	188	112	86	-23
Trade	6	6	5	-7	172	144	137	-5
Food, beverages and tobacco	5	4	5	16	139	108	91	-15
Pharmaceuticals	4	4	5	34	112	89	71	-21

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com).

Table 4. Announced international project finance deals, selected industries, quarterly average, 2019–2020, and partial year data for 2021 (Billions of dollars and per cent)

Sector/industry	Value (Billions of dollars)			Growth rate (%)	Number			Growth rate (%)
	2019	2020	2021		2019	2020	2021	
Total	163	106	185	74	303	281	372	32
<i>Top 10 industries by number</i>								
Renewable energy	44	47	86	82	171	179	217	22
Energy	13	8	24	198	26	19	37	99
Oil and gas	39	12	25	114	21	16	19	17
Industrial real estate	5	10	9	-6	14	9	16	77
Mining	10	3	7	115	19	12	16	39
Telecommunication	17	9	11	15	7	13	16	23
Transportation infrastructure	22	10	8	-22	17	13	15	23
Residential/commercial real estate	5	2	3		14	9	15	62
Petrochemicals	4	3	6	84	4	5	9	100
Water and sewerage	1	1	5	328	6	6	5	-9

Source: UNCTAD, based on data from Refiniv SA.

Table 5. Net cross-border M&As sales, by sector and selected industries, quarterly average, 2019–2020, and partial year data for 2021 (Billions of dollars and per cent)

Sector/industry	Value (Billions of dollars)			Growth rate (%)	Number			Growth rate (%)
	2019	2020	2021		2019	2020	2021	
Total	127	119	154	30	1 780	1 550	1 935	25
Primary	9	6	5	-23	108	165	153	-7
Manufacturing	61	57	70	23	408	284	370	30
Services	57	55	80	44	1 263	1 102	1 412	28
<i>Top 10 industries in value terms</i>								
Information and Communication	6	20	23	14	328	312	463	48
Pharmaceuticals	24	14	22	55	47	53	53	0
Trade	4	4	17	271	144	124	140	13
Automotive	2	4	14	229	21	10	18	72
Professional services	6	3	11	285	127	112	154	38
Other manufacturing	4	2	10	484	29	23	21	-9
Administrative and support services	4	1	8	511	77	52	63	22
Finance and insurance	12	7	8	15	155	141	166	18
Electronics and electrical equipment	5	10	8	-25	70	41	67	62
Chemicals	9	1	7	449	39	26	37	46

Source: UNCTAD, cross-border M&A database (www.unctad.org/fdistatistics).

Table 6. Announced greenfield projects in SDG sectors, 2019–2020, and partial year data for 2021
(Millions of dollars and per cent)

SDG-relevant sector	Developing economies				LDCs			
	2019	2020	2021:Q1-Q3 ^a	Partial-year growth rate (%)	2019	2020	2021:Q1-Q3 ^a	Partial-year growth rate (%)
Total								
Value	134 595	90 456	48 546	-19	12 824	10 250	1 186	-83
Number of projects	1 702	1 149	641	-16	114	82	27	-51
Power ^b								
Value	18 484	10 821	1 048	-85	1 483	3 452	-	..
Number of projects	45	21	10	-29	4	4	-	..
Renewable energy								
Value	40 944	28 354	19 232	2	2 030	3 204	216	-90
Number of projects	242	186	72	-42	15	20	1	-93
Transport services								
Value	26 164	11 009	6 786	-8	3 627	1 122	371	-50
Number of projects	324	185	131	6	36	17	15	32
Telecommunication ^c								
Value	18 569	23 819	9 745	-39	255	1 896	198	-84
Number of projects	308	241	142	-12	6	20	4	-70
Water, sanitation and hygiene (WASH)								
Value	1 819	598	925	132	61	-	-	..
Number of projects	17	7	4	-14	1	-	-	..
Food and agriculture								
Value	21 700	11 464	7 572	-1	4 812	470	314	0
Number of projects	428	290	142	-27	30	12	4	-50
Health								
Value	5 661	3 560	2 566	8	419	77	80	56
Number of projects	260	155	92	-11	14	5	2	-40
Education								
Value	1 255	831	674	22	137	29	7	-64
Number of projects	78	64	48	13	8	4	1	-63

Source: UNCTAD, based on Financial Times Ltd, fDi Markets (www.fdimarkets.com).

Note: Based on the industry classifications of host-economy investors, which are partially or fully owned by foreign public or private entities.

^a Greenfield projects refer to the first eight months of 2021.

^b Excluding renewable energy.

^c Including information services activities.

Table 7. Announced international project finance deals in SDG sectors, 2019–2020, and partial year data for 2021
(Millions of dollars and per cent)

SDG-relevant sector	Developing economies				LDCs			
	2019	2020	2021:Q1-Q3	Partial-year growth rate (%)	2019	2020	2021:Q1-Q3	Partial-year growth rate (%)
Total								
Value	180 643	123 639	196 726	112	25 879	34 782	45 947	76
Number of projects	392	332	317	27	65	46	26	-47
Power								
Value	32 523	23 503	40 521	130	9 855	4 464	2 605	-65
Number of projects	63	48	50	39	15	9	5	-26
Renewable energy								
Value	53 420	71 224	119 995	125	7 162	15 719	42 362	259
Number of projects	255	237	213	20	38	29	15	-47
Transport infrastructure								
Value	33 635	19 944	10 916	-27	6 385	13 953	525	-89
Number of projects	42	21	26	65	8	5	3	-20
Telecommunication								
Value	57 010	6 988	10 902	108	2 114	-	451	..
Number of projects	10	12	14	56	2	-	2	33
Water, sanitation and hygiene (WASH)								
Value	3 285	1 436	11 819	998	207	647	4	-98
Number of projects	16	10	8	7	1	3	1	-56
Food and agriculture								
Value	702	517	556	43	156	-	-	..
Number of projects	5	2	2	33	1	-	-	..
Health								
Value	68	9	2 018	29796	-	-	-	..
Number of projects	1	1	4	433	-	-	-	..
Education								
Value	-	18	-	..	-	-	-	..
Number of projects	-	1	-	..	-	-	-	..

Source: UNCTAD, based on Refinitiv SA.



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For further information, please contact

Mr. James X. Zhan

Director

Investment and Enterprise Division UNCTAD

diaeinfo@unctad.org [+41 22 917 57 60](tel:+41229175760)



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